

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re: W.R. GRACE & CO., et al., Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING
INTERIM FEE APPLICATION OF THE BLACKSTONE GROUP L.P.
FOR THE TWENTY-SECOND INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Interim Fee Application of the Blackstone Group L.P. for the Twenty-Second Interim Period (the "Application").

BACKGROUND

1. The Blackstone Group L.P. ("Blackstone") was retained as financial advisors to the Debtors. In the Application, Blackstone seeks approval of fees totaling \$275,000.00 and costs totaling \$7,455.76 for its services from July 1, 2006 through September 30, 2006.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the United States

Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals.

DISCUSSION

3. While Blackstone was retained pursuant to an engagement agreement providing for Blackstone to be paid a flat monthly fee of \$175,000.00¹, we note that the Order Pursuant to 11 U.S.C. §§327(a) and 328(a) and Fed.R.Bankr.P.2014(a) and 2016 Authorizing the Employment and Retention of the Blackstone Group L.P. as Financial Advisor to the Debtors and Debtors in Possession (the “Blackstone Retention Order”) provides that:

ORDERED that the Debtors reserve the right, as set forth in the Blackstone Agreement, to request Blackstone to make adjustments to its Monthly Fee (as defined in the Blackstone Agreement) in the event that Blackstone’s activity in connection with its retention decreases significantly during any period commencing six months from the Effective Date (as defined in the Blackstone Agreement);

Blackstone Retention Order at 2.

4. We note that Blackstone professionals spent a total of 337.2 hours for which fees totaling \$275,000.00 are sought. Thus the effective hourly rate is \$815.54.

5. We have no objections to, or issues with, the Application, and thus we did not send an initial report to Blackstone.

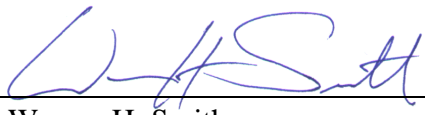
CONCLUSION

6. Thus we recommend approval of fees totaling \$275,000.00 and costs totaling \$7,455.76 for Blackstone’s services from July 1, 2006 through September 30, 2006.

¹In its application, Blackstone seeks fees of \$175,000.00 for July, \$75,000.00 for August and \$75,000.00 for September.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 7th day of March 2007.


Warren H. Smith

SERVICE LIST

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